

**SURREBUTTAL TESTIMONY OF
GREGORY M. LANDER
ON BEHALF OF
SOUTH CAROLINA COASTAL CONSERVATION LEAGUE AND
SOUTHERN ALLIANCE FOR CLEAN ENERGY
DOCKET NO. 2019-2-E**

INTRODUCTION

1
2 **Q. Can you please state your name and employment?**

3 **A.** My name is Gregory M. Lander. My business address is 83 Pine Street, Suite 101,
4 West 3 Peabody, MA 01960, and my email address is glander@skippingstone.com.

5 **Q. On whose behalf are you testifying?**

6 **A.** The South Carolina Coastal Conservation League and the Southern Alliance for
7 Clean Energy.

8 **Q. What is the purpose of your Surrebuttal Testimony?**

9 **A.** My Surrebuttal Testimony responds to the Mr. Kahl's Rebuttal Testimony.

10 **Q. Do you agree with Mr. Kahl's Rebuttal Testimony?**

11 **A.** Yes and no. Mr. Kahl has provided me with information that I did not have
12 previously, which – assuming he is correct – has changed the numerical calculations I
13 have made. But those changes in numerical calculations do not alter the analysis or
14 conclusions regarding my fundamental issue.

15 **Q. And just as a refresher, what is your fundamental issue?**

16 **A.** I had two, but I'd like to start with my discussion of the Company's new contracts
17 with Mountain Valley Pipeline and Southeastern Trail.

18 **Q. Please briefly remind us of that issue.**

19 **A.** Very briefly, I am concerned that the Company has signed these two new capacity
20 contracts that will add cost for ratepayers without providing any meaningful benefit. In

1 my view, the Company already has adequate capacity on Transco and Southern Natural
2 (also called Sonat) to deliver low-cost gas to its generation fleet. The new MVP and
3 Southeastern Trail contracts provide neither increased reliability nor lower-cost gas that
4 justifies the year-round cost of the contracts.

5 **Q. How does Mr. Kahl address your concerns?**

6 **A.** He doesn't. What he does do is point out that – based on the data I had from the
7 Company at the time – my assessment of where SCE&G ultimately gets its gas was
8 incorrect. The data I requested and received was data as to where SCE&G purchased its
9 gas. Mr. Kahl's new information suggested that the ultimate origin points behind the
10 SCE&G purchase points, (*i.e.*, the ultimate sources) were not the same as the purchase
11 points. He then leaps, unjustifiably, from that issue to concluding that the new contracts
12 do provide value.

13 **Q. Is he wrong?**

14 **A.** Yes. To the extent that SCE&G gets less gas from Transco than I initially
15 calculated, Mr. Kahl has made clear that the Company gets more gas ultimately from
16 Sonat (even though the purchase points were points accessible to Transco supplies). That
17 is all well and good to the extent the Company is exercising least-cost procurement and
18 buying from Sonat when it's cheaper than Transco. But the fundamental premise remains
19 that the Company has adequate capacity between Transco and Sonat right now, and,
20 based upon the evidence in this case, it does not need more.

1 **Q.** Let's get into the specifics. On page 2 of his Rebuttal Testimony, Mr. Kahl
2 states that SCE&G did not provide data as to "Index points" or pricing points. Is
3 that correct?

4 **A.** Yes, Mr. Kahl is correct with respect to SCE&G not providing Index points for
5 SCE&G purchased supply. The lack of time between filing of the SCE&G Testimony,
6 and SCE&G response to first round of data requests did not permit timely follow-up data
7 requests to SCE&G, which left me having to assign purchases to Index points based upon
8 my experience and knowledge of locations and access of those locations to pricing
9 information relating to those locations.

10 **Q.** Upon review of your Direct Testimony following SCE&G Rebuttal
11 Testimony, did you make any incorrect assignments of Index Points?

12 **A.** Yes, I made one. With respect Index points, and one location, (Aiken), I did
13 incorrectly assign that location to Transco Zone 5 South. It rightly should have been
14 assigned to Southern Natural.

15 **Q.** How much volume was therefore incorrectly assigned?

16 **A.** I incorrectly assigned [REDACTED] Dth of [REDACTED] Dth or 0.0199% of total supply.

17 **Q.** Does that incorrect assignment change any of your propositions and
18 conclusions?

19 **A.** No.

1 **Q. Why do your percentages and the percentages shown in Mr. Kahl's Rebuttal**
2 **Testimony on page 3 differ in such great degree?**

3 **A.** First of all, it is important to remember that gas purchased by SCE&G at a
4 specific location may not have originated at that location; in all likelihood it originated
5 elsewhere.

6 **Q. What is that relevant?**

7 **A.** Because it matters when assessing the prudence of gas purchases.

8 **Q. So how did you factor in the origination point of gas that SCE&G**
9 **purchased?**

10 **A.** I took the purchase locations, at which SCE&G purchased the supply and then
11 determined which pricing points, or Index Points, would cover those locations. The point
12 of this section of my analysis was to determine, as a foundational matter, whether
13 purchase of capacity on Transco could be utilized at all to deliver needed gas.

14 **Q. What did you determine?**

15 **A.** I determined that it could be.

16 **Q. So once you established that SCE&G could get the gas from Transco, what**
17 **did you do?**

18 **A.** I then analyzed whether it was economically justified to add new ratepayer costs
19 to add locations where SCE&G could purchase supplies instead of purchasing supplies
20 that, according to SCE&G's own data, could or would be priced at Transco Zone 5 South
21 prices.

1 **Q. Mr. Kahl's Rebuttal Testimony on page 3 states that most of SCE&G's gas**
2 **came from Southern Natural locations instead of Transco Zone 5 locations. Does**
3 **this inform you of anything else pertinent to your Direct Testimony?**

4 **A. Yes. Assuming Mr. Kahl is correct, and I have no reason to doubt him. This is**
5 **new and important information.**

6 **Q. Why is it important?**

7 **A. This new information is important and pertinent in two regards.**

8 **Q. What is the first reason?**

9 **A. First, because SCE&G states that it follows a least cost purchasing protocol.**

10 **Q. And the second?**

11 **A. Because it directly calls into question whether new capacity on Transco is**
12 **prudent.**

13 **Q. How does it call that into question?**

14 **A. Mr. Kahl states in Rebuttal on page 3 that [REDACTED] of SCE&G supply originated at**
15 **Southern Natural locations (albeit SCE&G "purchased" the supply at other non-Southern**
16 **Natural locations. To obtain gas originating at a Southern Natural location, the gas must**
17 **come from upstream Southern Natural supplies. However, the evidence also shows that**
18 **SCE&G could have accessed an equivalent amount of gas from Transco Zone 5 South**
19 **using its existing capacity contracts, just as I testified in my Direct Testimony. This is**
20 **because in discovery, SCE&G identified its purchase locations as locations also**
21 **accessible by Transco Zone 5 South supplies. Thus, between the existing Sonat, Transco,**
22 **and DECGT contracts, the Company has adequate capacity. This means, as I stated in my**

1 Direct Testimony, that the additional capacity it has signed up for on Transco will only
2 add costs to ratepayers' bills.

3 **Q. Going back to Figure 6 from your Direct Testimony, based upon SCE&G's**
4 **Rebuttal Testimony, have you made a calculation based upon a comparison between**
5 **Southern Natural ("Sonat") prices and Dominion South Point Prices as laid out in**
6 **Figure 6?**

7 **A.** Yes.

8 **Q. What do these calculations show?**

9 **A.** Fundamentally they show that the Company can use Transco or Sonat; in either
10 instance, those pipelines are cheaper for ratepayers than using new contracts to buy gas
11 from Dominion South Point.

12 **Q. Please explain.**

13 **A.** Figure 6 in my Direct Testimony compared the cost to ratepayers of substituting
14 Dominion South Point gas for Transco Zone 6 South gas, which I concluded would drive
15 customer costs up. Figure 1 - Surrebuttal does the same thing, except comparing Sonat
16 and Dominion South Point. Although the numbers are different, the conclusion is the
17 same.

18 **Q. And what is that conclusion?**

19 **A.** It would have been more costly (*i.e.*, greater net negative value to ratepayers) to
20 substitute Dominion South Point supplies for Southern Natural supplies, given the costs
21 of accessing those supplies with the costs of MVP and ½ of the Transco SET capacity.

1 **Q. What did Figure 6 of Direct show?**

2 **A.** In Direct Testimony, Figure 6 showed net costs of [REDACTED] Dollars against
3 2017 prices and [REDACTED] against 2018 prices for displacing Transco Zone 5 South
4 supplies in those years, respectively.

5 **Q. And how about Figure 1 of Surrebuttal?**

6 **A.** As can be seen below in Figure 1 - Surrebuttal, the cost increases to [REDACTED]
7 versus 2017 Southern Natural supplies, and the cost increases to [REDACTED] against
8 2018 Southern Natural supplies. Respectively, these increases in cost are [REDACTED]
9 greater against 2017 in Figure 6 and costs to ratepayers would have been [REDACTED]
10 greater in 2018 against Figure 6 net costs.

11

Figure 1 - Surrebuttal

Per Dth Value of buying Dom South vs Listed Pricing Points ---->	Days in Periods	Southern Natural	Transco Zone 5 North	Transco Zone 5 South	Savings on Gas Cost Dom SP vs Sonat	Transport Cost on MVP and Transco	Surrebuttal Figure 1 Net Value of MVP & 1/2 of Transco SET	Comparison to Figure 6 in Direct Testimony Net Value of MVP & 1/2 of Transco SET
Shoulders 2017	122	1.220	1.220	1.290	\$9,302,500	[REDACTED]	[REDACTED]	[REDACTED]
Shoulders 2018	122	0.485	0.605	0.620	\$3,698,125			
Winter 2017/2018	151	0.335	0.650	0.670	\$3,161,563			
Winter 2018/2019 thru 3/9	151	0.128	0.650	0.638	\$1,203,281			
Summer 2017	92	1.020	1.045	1.130	\$5,865,000			
Summer 2018	92	0.440	0.570	0.560	\$2,530,000			
Totals for 2017 Prices					\$18,329,063			
Totals for 2018 Prices					\$7,431,406			

12

13 Source: NGI for Prices, SCE&G Response to CCL & SACE 1-2, SCE&G Kahl Rebuttal; and Skipping Stone analysis.

14 **Q. Can you break that down for us more concisely?**

15 **A.** Yes. Figure 2 - Surrebuttal compares the net ratepayer costs in both Figure 6
16 Direct and Figure 1 - Surrebuttal.

Figure 2 - Surrebuttal

	Transco v. Dominion South Point	Sonat v. Dominion South Point
2017		
2018		

Q. So, looking at Figure 2 - Surrebuttal, is it fair to say that your original analysis actually underestimated how bad a deal the Southeastern Trail and MVP contracts are for ratepayers?

A. Correct.

Q. Did you make the same calculations versus Figure 7 of your Direct Testimony?

A. Yes. Those calculations are set forth in Figure 3 - Surrebuttal below. While these calculations show a better result (*i.e.*, comparing Transco Zone 5 North prices to Southern Natural prices), the net value to ratepayers is still negative. It's just less negative.

Figure 3 - Surrebuttal

Per Dth Value of buying At Transco Zone 5 North vs Listed Pricing Points --->	Days in Periods	Southern Natural	Transco Zone 5 North	Gas Cost Zn5 No. vs Sonat	Cost on Transco	Net Value of Other 1/2 of Transco SET	Net Value of MVP & 1/2 of Transco SET
Shoulders 2017	122	0.070	0.070	\$533,750			
Shoulders 2018	122	0.135	0.015	\$1,029,375			
Winter 2017/2018	151	0.335	0.020	\$3,161,563			
Winter 2018/2019 thru 3/9	151	0.510	(0.013)	\$4,813,125			
Summer 2017	92	0.110	0.085	\$632,500			
Summer 2018	92	0.120	(0.010)	\$690,000			
Totals for 2017 Prices				\$4,327,813			
Totals for 2018 Prices				\$6,532,500			

Source: NGI for Prices, SCE&G Response to CCL & SACE 1-2, SCE&G Kahl Rebuttal; and Skipping Stone analysis.

Moreover, the total net negative of the two different substitutions are nearly the same.

The total net negative value to rate payers in my Direct Testimony for 2017 would have been a net cost to ratepayers of [REDACTED] and in 2018 it would have been a net cost to

1 ratepayers of [REDACTED]. This compares to this Surrebuttal example of a net cost to
2 ratepayers of [REDACTED] for 2017 and [REDACTED] for 2018; a difference of a higher
3 net cost of [REDACTED] in 2017 and slight reduction in the net cost by only [REDACTED] in
4 2018.

5 **Q. Does your supplemental analysis undertaken for this Surrebuttal Testimony**
6 **cause you to change any of you recommendations with respect to future recovery of**
7 **costs under the SET and/or MVP contracts?**

8 **A.** No, it does not. If anything it underscores the relevance and importance to
9 ratepayers of my recommendations in this regard.

10 **Q. Mr. Kahl also asserts his point that having firm capacity might ensure**
11 **available supplies in an intraday market where the day-ahead forecast might be off**
12 **by an amount of needed supply equal to a full generating station's requirements. Do**
13 **you have a response to that?**

14 **A.** Yes. In making that statement again in his Rebuttal, as was similarly made in his
15 Direct, Mr. Kahl did not rebut my point with respect to nominating intraday supplies of
16 that magnitude; my point was that just having the capacity did not make supplies
17 available. If such were to occur, as he posited, SCE&G would still have to find those
18 intraday supplies to be moved through the firm capacity.

19 **Q. Mr. Kahl also discussed your discussion of using ICE and the difficulty in**
20 **sourcing gas 4,000 Dth at a time. Did you suggest that SCE&G use ICE for**
21 **purchasing all of its Day-Ahead supplies?**

22 **A.** No. I only suggested that to the extent adjustments to intraday needs (absent the
23 extreme case conjured up by Mr. Kahl) could be supplemented by purchasing delivered

1 supplies to DECGT by means of anonymous ICE transactions. Moreover, the question for
2 this Commission is “what should be the value of insurance against infrequent events as
3 posited by Mr. Kahl?” Is it [REDACTED] per year for at least [REDACTED]?

4 **Q. Mr. Kahl also mentions price spikes and cites to a \$128.00 dollar price**
5 **experienced on January 5 of 2018. Can you please respond to his point?**

6 **A.** Certainly. Based upon data provided by SCE&G in response to CCL & SACE 1-
7 25 which provided data regarding hourly generation by fuel, on the January 5, 2018 gas
8 day, [REDACTED] Gas Day of January 5, 2018¹.
9 Then SCE&G operated [REDACTED]
10 [REDACTED] Further, in reviewing the SCE&G
11 purchase locations associated with [REDACTED] for the month of January as provided in
12 response to CCL & SACE 1-2, SCE&G reported that it paid [REDACTED] per Dth for [REDACTED]
13 Dth at some point in January (out of a total reported purchase of [REDACTED] Dth purchased
14 for [REDACTED] or 1.14% of total purchases). Thus, even if Urquhart ran solely on supplies
15 designated as those costing [REDACTED] and that price was for supplies on the 5th, SCE&G did
16 not pay \$128.00 for gas. While, my model includes that high price of January 5th, in the
17 average of prices, eliminating that price from the average of Transco Zone 5 South,
18 would only increase the cost to ratepayers associated with paying for the capacity to
19 avoid Transco Zone 5 South pricing (*i.e.*, the SET and MVP costs).

¹ “Gas Day” means the time period from 10:00 AM on any given day to 9:59 AM the following day.

1 **Q.** **Mr. Kahl states that trades reported by NGI at Transco Zone 5 (as opposed**
2 **to those reported at Transco Zone 5 North or those reported at Transco Zone 5**
3 **South) are inclusive of trades at Zone 5 North and Transco Zone 5 South. Is that**
4 **true?**

5 **A.** Yes.

6 **Q.** **Does that make a difference in your conclusions?**

7 **A.** No. It is the reason that I only mentioned Transco Zone 5's trades as an
8 "optimization point," and in passing in my Direct Testimony. All my recommendations in
9 my Direct Testimony were based upon measuring the difference between Transco Zone 5
10 North and Transco Zone 5 South.

11 **Q.** **Does Mr. Kahl's discussion of liquidity during the January of 2018 cold-snap**
12 **cause you to make any changes to your recommendations?**

13 **A.** No.

14 **Q.** **Why not?**

15 **A.** Because SCE&G showed in the data it provided that it operated prudently and
16 purchased the Southern Natural supplies rather than Transco supplies, at least on the
17 January 5, date that it cited in Mr. Kahl's Rebuttal Testimony.

18 **Q.** **Mr. Kahl also seems to take issue with your discussion of the difference in**
19 **capacity held by SCE&G on DECGT versus capacity held to bring gas to DECGT.**
20 **Do you have any comment on his discussion?**

21 **A.** Only that his discussion further underscores my point; especially in so far as he
22 points out the very valuable source of supply provided by SCE&G's LNG facilities.
23 Basically, his point provides additional support for the proposition that SCE&G is well

1 suited and served by its existing assets and arrangements and my recommendations as to
2 treatment of the recovery of costs of SET and MVP should be limited to the net benefit
3 they provide to SCE&G's ratepayers.

4 **Q. On pages 14-16, Mr. Kahl challenges your recommendation regarding the**
5 **SEMI contract. Do you have any response?**

6 **A.** Yes. As a reminder, my issue with that contract is that while it is "firm" in name,
7 it is not really firm because the conditions within the agreement allow SEMI, not
8 SCE&G, to dictate how much capacity SCE&G can use.

9 **Q. But on page 15 Mr. Kahl says they used [REDACTED] of the contract capacity, which**
10 **seems like a lot.**

11 **A.** It is a high percentage of the capacity, but as I read the contract, SEMI always had
12 the right to provide less than the full 120,000 Dth. Just because they didn't limit
13 SCE&G's use does not mean they couldn't. Mr. Kahl's Testimony makes clear that
14 SCE&G did not attempt to fully utilize the capacity it had on SEMI. Had SCE&G
15 attempted to use more, SEMI could have denied that request.

16 **Q. So you continue to dispute that the contract is "firm."**

17 **A.** I do.

18 **Q. But Mr. Kahl states on page 15 that "no language in the Gas Supply**
19 **Agreement gives SEMI any discretion over the actual scheduled amounts**
20 **whatsoever." Is he wrong?**

21 **A.** The language is right there in the contract, which I discuss at length on page 37 of
22 my Direct. I don't understand how Mr. Kahn reads that language as anything other than
23 giving SEMI discretion over the actual scheduled amounts.

1 **Q. So what is your analysis of Mr. Kahl's Testimony?**

2 **A.** All he argues is that SCE&G got everything they asked SEMI to deliver. Getting
3 what you ask for isn't the same as getting what you paid for, especially when what you
4 ask for is less than what you already pay for – which is exactly what Kahl states they did.
5 As such, SEMI was only providing variable service, not firm, and should only be
6 compensated accordingly. So, instead of ratepayers paying the full [REDACTED] [REDACTED], they
7 should only pay to SEMI [REDACTED], consistent with my recommendation that SEMI earn
8 [REDACTED] per Dth above defined costs.

9 **Q. Does that conclude your Surrebuttal Testimony?**

10 **A.** It does.